

Message Text

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ACTION NEA-16

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 AID-20 COME-00 EB-11 FRB-03 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

STR-08 DRC-01 /209 W

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R 161020Z JUL 74 ZDK

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3689

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY MANILA

UNCLAS DACCA 3205

MANILA FOR USADB

E.O. 11652: N/A

TAGS : EAID, EFIN, BG

SUBJECT : ANNUAL DEVELOPMENT PLAN, 1974-75

REF : A. DACCA 2884 B. DACCA 2885

SUMMARY: BDG PLANNING COMMISSION RELEASED JULY 15 ANNUAL DEVELOPMENT PLAN 1974-75, INCLUDING REVIEW 73/74 PLAN RESULTS. PLAN DOCUMENT CONFIRMS PREVIEW PROVIDED IN '75 BUDGET (REFTES). REAL GROSS DOMESTIC PRODUCT IN 73/74 ROSE 12 PERCENT OVER 72/73, BUT STILL WELL SHORT OF GOAL OF RETURN TO PRE-WAR 1969/70 LEVEL. ACCORDING 74/75 PLAN DOCUMENT, THE FAILURE OF THE 73/74 ANNUAL PLAN TO ACHIEVE TARGETED LEVELS OF INVESTMENT AND OUTPUT HAS LIMITED THE AVAILABLE FINANCIAL RESOURCES WHICH MAY BE MOBILIZED DOMESTICALLY. THIS COMBINED WITH LIMITED AVAILABILITY FOREIGN ASSISTANCE HAS MEANT UNCLASSIFIED

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THAT PUBLIC SECTOR INVESTMENT IN 74/75 PLAN AT

TK 5.25 BILLION (\$700 MILLION AT TK 7.5 EQUAL \$1.00) HAS BEEN HELD TO ROUGHLY SAME LEVEL AS 73/74 GOAL. DETAILS, ANALYSIS AND COPIES PLAN DOCUMENT FOLLOW BY AIRPOUCH. END SUMMARY.

1. BANGLADESH PLANNING COMMISSION RELEASED JULY 15 1974/75 (JULY TO JUNE) ANNUAL DEVELOPMENT PLAN COVERING SECOND YEAR CURRENT FIVE-YEAR PLAN. COPIES WILL BE POUCHED WASHINGTON AGENCIES IN ACCORDANCE CERP.

2. REVIEW OF 1973/74 PERFORMANCE. 74/75 PLAN DOCUMENT PROVIDES DEPRESSING ACCOUNT OF ECONOMIC PERFORMANCE IN 1973/74, THE FIRST YEAR OF THE FIRST FIVE-YEAR PLAN. BOTH PHYSICAL AND FINANCIAL TARGETS FOR 73/74 NOT MET, DESPITE THE QTE GOOD RECOVERY END QTE IN AGRICULTURAL AND INDUSTRIAL PRODUCTION. ACTUAL DEVELOPMENT EXPENDITURE WAS AROUND TK 4 BILLION (\$533 MILLION) AGAINST TK 5.11 BILLION (\$681 MILLION) ENVISAGED IN PLAN. REAL GROSS DOMESTIC PRODUCT ROSE ABOUT 12 PERCENT OVER 1972/73, BUT FAILED TO REACH TARGET OF 69/70 LEVEL. AGRICULTURAL PRODUCTION ROSE 11 PERCENT OVERALL, WITH RICE PRODUCTION UP 18 PERCENT TO AN ESTIMATED 11.7 MILLION TONS AGAINST THE 12.5 MILLION TON GOAL. JUTE PRODUCTION REACHED LOW TARGET FIGURE OF 6 MILLION BALES (400 LBS.). INDUSTRIAL PRODUCTION ROSE A CREDITABLE 20 PARCENT, BUT NEVERTHELESS FELL 10 PERCENT BELOW TARGET OF 69/70 LEVEL. WITH THE QTE UNPRECEDENTED INCREASE IN THE PRICES OF ESSENTIAL IMPORTS END QTE, THE IMPORT BILL FAR EXCEEDED PROJECTIONS, WHILE EXPORT EARNINGS WERE BELOW ESTIMATES AND THE BALANCE OF PAYMENTS POSITION WAS WORSE THAN PROJECTED. THE \$607 MILLION BALANCE OF PAYMENTS GAP WAS FINANCED BY FOREIGN ASSISTANCE (\$409 MILLION) AND SHORT-TERM BORROWING AND RESERVE DRAWDOWN (\$197 MILLION). SHORTAGES OF INPUTS, LABOR UNREST, MANAGEMENT PROBLEMS AND TRANSPORTATION PROBLEMS LIMITED PRODUCTION. DEFICIT FINANCING AND LIMITED PRODUCTION RESULTED IN SITUATION WHERE SHARPLY INCREASED MONEY SUPPLY WAS CHASING LIMITED AMOUNT CONSUMER GOODS. AS RESULT, 73/74 PRICE LEVEL ESTIMATED TO BE 40 P.C. ABOVE MONTHLY AVERAGE FOR 72/73.

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3. 74/75 PLAN DOES NOT SET TARGETS CONSISTENT WITH FIRST FIVE-YEAR PLAN GOALS, AS 73/74 ANNUAL PLAN HAD QTE FAILED LAY NECESSARY FOUNDATION FOR DESIRED LONGER TERM DEVELOPMENT OF ECONOMY END QTE. BASED ON FINANCIAL RESOURCES WHICH CAN BE MOBILIZED DOMESTICALLY AND EXPECTED EXTENT OF FOREIGN AID, 74/75 PLAN SIZE IS, ACCORDINGLY, RESTRICTED TO TK 5.25 BILLION (\$700 MILLION) ABOUT THE 73/74 LEVEL. SECTORAL BREAKDOWN OF PLAN EXPENDITURES REMAINS AS

REPORTED REFTEL A. OVERALL GROWTH TARGET IS SET AT 5 TO 6 PERCENT, WITH AGRICULTURAL PRODUCTION (ALL CROPS) TARGETED TO GROW BY 4 PERCENT AND INDUSTRIAL PRODUCTION TO RISE BY 10 PERCENT. FOODGRAIN PRODUCTION TARGET IS SET AT 13 MILLION TONS (UP 11PERCENT OVER 1973/74). PLAN STRATEGY OF RESOURCE ALLOCATION DICTATED BY SHORT-RUN OBJECTIVE OF ATTAINING PRODUCTION TARGETS WITH LIMITED RESOURCES. QTE PLAN WILL CONCENTRATE ON THOSE PROGRAMS WHICH WILL GIVE MAXIMUM YIELD IN COURSE OF THE YEAR END QTE. THIS TRANSLATES TO GIVING HIGHEST PRIORITY TO QUICK-YIELDING PROJECTS IN AGRICULTURE AND INDUSTRY. IN SOCIAL INFRASTRUCTURE, QTE THE GREATEST STRESS HAS BEEN LAID ON POPULATION CONTROL, PARTICULARLY ON THE MOTIVATION PROGRAM END QTE. EXPORT PROMOTION ALSO STRESSED. FINANCING AND FOREIGN ASSISTANCE LEVELS REMAIN AS REPORTED REFTEL A.

4. DETAILED ANALYSIS OF PLAN AND COMMENT WILL FOLLOW BY AIRGRAM. HOWEVER, IT READILY APPARENT THAT ACHIEVEMENT PLAN'S RELATIVELY MODEST PRODUCTION TARGETS HIGHLY DEPENDENT ON FLOW OF IMPORTED INPUTS AND HENCE ON AVAILABILITY FOREIGN EXCHANGE AS WELL AS ON BDG ABILITY LIMIT GOVERNMENT DEFICIT FINANCING AND CURTAIL INFLATION. BOSTER

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